

INFORMATIONAL REPORT ON THE DEVELOPMENT OF THE PROCESS AND TIMELINE FOR THE PROPOSAL SOLICITATION PACKAGE FOR PROPOSITION 50 CHAPTER 8 INTEGRATED REGIONAL WATER MANAGEMENT GRANTS

Agenda Item: 10

Meeting Date: February 11, 2004

Summary: Status of the Integrated Regional Water Management Program and funding.

Recommended Action: This is an informational item only. No action will be taken.

Background

Proposition 50 (Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002) was passed by California voters in November, 2002 and amended the California Water Code to add, among other articles, Section 79560 *et seq.* which authorized the Legislature to appropriate funding for competitive grants for Integrated Regional Water Management (IRWM) projects. The Legislature subsequently passed and the Governor signed implementation language (AB 866, AB 1747, and SB 1049). Attachment 1 is a copy of the relevant Water Code provisions.

Program Overview

Proposition 50 provided \$500 million for IRWM projects which was split between the Department of Water Resources (DWR) and the State Water Resources Control Board (SWRCB). Planned expenditure of those funds is as follows:

	DWR	SWRCB
Total Funds Available	\$250,000,000	\$250,000,000
Program Delivery (5%)	-\$12,500,000	-\$12,500,000
Bond Issuance/Statewide Costs (3.5%)	-\$8,750,000	-\$8,750,000
FY 02-03 Fund Shift – Governor’s Drought Program ¹⁾	-\$6,400,000	\$0
Groundwater Recharge Grants ²⁾	-\$20,000,000	\$0
Comprehensive Groundwater Monitoring Program	\$0	-\$50,000,000
Total Funds Available for IRWM Grants – by Agency	\$202,350,000	\$178,750,000
Total Funds Available for IRWM Grants	\$381,100,000	

1) Funds awarded for Local Groundwater Assistance Grants.

2) \$10 million committed in January 2004.

The funding is for competitive grants for projects that protect communities from drought, protect and improve water quality, and improve local water security by reducing dependence on imported water. The program is to be developed jointly by DWR and the SWRCB. Projects funded by this program are to be consistent with an adopted IRWM Plan and must contain one or more of the following elements:

- Programs for water supply reliability, water conservation, and water use efficiency.
- Storm water capture, storage, treatment, and management.
- Removal of invasive non-native plants; the creation and enhancement of wetlands; and the acquisition, protection, and restoration of open space and watershed lands.
- Non-point source pollution reduction, management, and monitoring.
- Groundwater recharge and management projects.
- Contaminant and salt removal through reclamation, desalting, and other treatment technologies.
- Water banking, exchange, reclamation, and improvement of water quality.
- Planning and implementation of multipurpose flood control programs that protect property; improve water quality, storm water capture and percolation; and protect or improve wildlife habitat.
- Watershed management planning and implementation.
- Demonstration projects to develop new drinking water treatment and distribution methods.

The bond law places limitations on certain types of projects. Specifically, on-stream and off-stream storage projects, except for groundwater recharge percolation ponds in urban areas, are not eligible for funding; and negative impacts from river or stream channel modifications projects must be fully mitigated for such projects to be eligible.

DWR is responsible for establishing standards for IRWM plans and has a limited ability to waive consistency with an adopted plan. Grant awards are limited to \$50 million per project; and grant funding is to be split between Northern California and Southern California, with each region receiving at least 40% (\$200 million) of the available funding. Attachment 2 shows the Proposition 50 delineation of those regions. Matching funds are required, with DWR having the ability to waive the requirement for disadvantaged communities (annual median income less than 80% of the statewide median household income). Projects funded by the SWRCB are to be consistent with the requirements of the Integrated Watershed Management Program. The SWRCB must fund development of one or more integrated coastal watershed management plans in State Water Quality Protection Areas. Attachment 3 summarizes specific statutory requirements of the IRWM Program.

Status of Development and Implementation of IRWM Program

Consistent with the requirements of the California Water Code, DWR and the SWRCB are currently conducting a scoping process for the IRWM Program by working with the California Watershed Council, California Bay-Delta Authority staff, and other interested stakeholders to receive input on the scope, procedures, and criteria for the program. This effort will include at least one public meeting. DWR and SWRCB will subsequently develop guidelines and evaluation criteria which will be posted on the agencies' internet sites for 30 days prior to conducting two public meetings to solicit public input. Additionally, DWR and SWRCB will provide outreach to disadvantaged communities to promote access and participation in the public meetings.

Following consideration of public comments the agencies will approve and issue the Final Proposal Solicitation Package. A series of workshops will then be held throughout California to provide technical assistance on preparation of grant applications. Those workshops will be conducted in a manner that assists disadvantaged communities. Attachment 4 shows the proposed process and timeline for implementation of the IRWM Program.

Fiscal Information

Not applicable

List of Attachments

Attachment 1 - Relevant Water Code Provisions
Attachment 2 - Map
Attachment 3 - Summary
Attachment 4 - Proposed Process and Timeline for Implementation of the IRWM

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Agenda Item 10
Attachment 1
Relevant Water Code Provisions

79560. The sum of five hundred million dollars (\$500,000,000) shall be available for appropriation by the Legislature from the fund for competitive grants for projects set forth in this section to protect communities from drought, protect and improve water quality, and improve local water security by reducing dependence on imported water. No project financed pursuant to this section shall include an on-stream surface water storage facility or an off-stream surface water storage facility other than percolation ponds for groundwater recharge in urban areas. No river or stream channel modification project whose construction or operation causes any negative environmental impacts may be financed pursuant to this chapter unless those impacts are fully mitigated.

79560.1. (a) The department shall administer 50 percent of the funds, and the board shall administer the remaining 50 percent of the funds, made available to the program described in Sections 79560 and 79561.

(b) For projects proposed to be funded pursuant to Section 79560 that include any modification of a river or stream channel, the state agency making the grant, prior to the award of the grant, shall determine whether the environmental impacts resulting from that modification will be fully mitigated by considering all of the impacts of that modification and any mitigation, environmental enhancement, and environmental benefit resulting from the project, and determining whether, on balance, any environmental enhancement or benefit equals or exceeds any negative environmental impacts of the project. The costs of mitigation or enhancement may be included in the project costs eligible for funding pursuant to Section 79560.

(c) This section shall become operative only if the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 is approved by the voters at the November 5, 2002, statewide general election.

79560.5. For the purposes of carrying out this chapter, the department and the board shall jointly develop project solicitation and evaluation guidelines. Before developing the solicitation and evaluation guidelines, the department and the board shall jointly conduct a public meeting to receive public comments on the scope, procedures, and content of the guidelines. Considering the public comments, the department and the board shall jointly develop solicitation and evaluation guidelines that are consistent with law and state programs and policies. The department and the board shall post the solicitation and evaluation guidelines on their respective Internet Web sites.

79561. Money appropriated in Section 79560 shall be available for grants for water management projects that include one or more of the following elements:

- (a) Programs for water supply reliability, water conservation, and water use efficiency.
- (b) Storm water capture, storage, treatment, and management.
- (c) Removal of invasive non-native plants, the creation and enhancement of wetlands, and the acquisition, protection, and restoration of open space and watershed lands.
- (d) Non-point source pollution reduction, management, and monitoring.
- (e) Groundwater recharge and management projects.
- (f) Contaminant and salt removal through reclamation, desalting, and other treatment technologies.
- (g) Water banking, exchange, reclamation, and improvement of water quality.
- (h) Planning and implementation of multipurpose flood control programs that protect property; and improve water quality, storm water capture and percolation; and protect or improve wildlife habitat.
- (i) Watershed management planning and implementation.
- (j) Demonstration projects to develop new drinking water treatment and distribution methods.

79561.5. (a) Notwithstanding any other provision of law, of the funds appropriated to the department for the purposes of Section 79560 and 79560.1, the department shall allocate the sum of not less than twenty million dollars (\$20,000,000) to competitive grants for groundwater management and recharge projects. The department shall not allocate funds pursuant to this section unless it determines that the allocation is consistent with this division, as approved by the voters at the November 5, 2002, statewide general election.

(b) It is the intent of the Legislature that these funds be used to enhance water supply in rapidly growing areas of this state with limited access to imported water supplies.

(c) Not more than 50 percent of the grants pursuant to this section shall be for projects in northern California. For projects in southern California, the department shall give preference to projects outside the service area of the Metropolitan Water District of Southern California that are infill projects within one mile of established residential and commercial development.

(d) As used in this section, the term "rapidly growing areas" means counties located in southern California where the county population increased by 2.4 percent or more between January 1, 2002, and January 1, 2003.

79562. An amount, not to exceed 10 percent of the money available for appropriation in Section 79560, may be appropriated by the Legislature for facilities, equipment, and other expenses associated with the establishment of comprehensive statewide groundwater monitoring pursuant to Part 2.76 (commencing with Section 10780) of Division 6.

79562.5. (a) For the purposes of carrying out Section 79560, the department shall award grants to eligible projects consistent with an adopted integrated regional water management plan.

(b) For purposes of subdivision (a), the department shall establish standards for integrated regional water management plans. At a minimum, these plans shall address the major water related objectives and conflicts of the watersheds in the region covered by the plan, including water supply, groundwater management, ecosystem restoration, and water quality elements, and may include other elements consistent with this chapter.

(c) The department may waive the requirement for consistency with an adopted integrated regional water management plan until January 1, 2007, if the applicant is engaged in the development of an integrated regional water management plan and indicates, within its grant application, how the project fits into achieving the integrated regional water management plan objectives.

(d) The department may waive the matching fund requirement for disadvantaged communities.

(e) For groundwater management and recharge projects and for projects with potential groundwater impacts, the board and the department shall give preference to eligible projects in areas subject to a groundwater management plan that meets the requirements of Section 10753.7, or that includes the development of a groundwater management plan as a project component.

(f) The maximum award for any single grant pursuant to this section may not exceed fifty million dollars (\$50,000,000).

(g) The department shall require that eligible projects include a nonstate contribution.

(h) For the purposes of implementing Section 79563, and to the extent funds are expended for the purposes of Section 30947 of the Public Resources Code, those funds shall comply with the requirements of that section.

79563. At least 50 percent of the amount available for appropriation in Section 79560 shall be appropriated to the board. The board shall establish procedures for selecting among eligible projects specified in Section 79561 that use the procedures developed by the board for stakeholder-based accelerated selection and contracting pursuant to Section 79104.32.

79564. To be eligible for financing pursuant to Section 79563, a project shall meet both of the following criteria:

(a) The project is consistent with an adopted integrated water management plan designed to improve regional water supply reliability, water recycling, water conservation, water quality improvement, storm water capture and management, flood management, recreation and access, wetlands enhancement and creation, and environmental and habitat protection and improvement.

(b) The project includes matching funds or donated services from non-state sources.

79564.1. (a) Of the funds made available by Section 79560, not less than 40 percent shall be available for eligible projects in northern California and not less than 40 percent be available for eligible projects in southern California, subject to a determination by the administering agency that each project meets all of the requirements of this chapter.

(b) For the purposes of this section, "southern California" means the Counties of San Diego, Imperial, Riverside, Orange, Los Angeles, Santa Barbara, San Bernardino, and Ventura.

(c) For the purposes of this section, "northern California" means all California counties except those identified in subdivision (b).

79565. Notwithstanding Section 13340 of the Government Code, the sum of one hundred forty million dollars (\$140,000,000) is hereby continuously appropriated from the fund to the Wildlife Conservation Board, without regard to fiscal years, for expenditure by the board and for grants, for the acquisition from willing sellers of land and water resources, including the acquisition of conservation easements, to protect regional water quality, protect and enhance fish and wildlife habitat, and to assist local public agencies in improving regional water supply reliability.

Agenda Item 10

Attachment 2

Map

Proposition 50

Integrated Regional Water Management



**Agenda Item 10
Attachment 3**

**PROPOSITION 50, CHAPTER 8
Water Code Section 79560 et seq.**

INTEGRATED REGIONAL WATER MANAGEMENT GRANTS

Total Bond Funds Available = \$500 million

- Split 50/50 Between DWR and SWRCB
- Approximately \$380 million available for IRWM grants
- Balance of the funding allocated to:
 - Comprehensive Statewide Groundwater Monitoring \$50 million (SWRCB)
 - FY 2003 Fund Shift \$6.4 million (DWR – Drought Program)
 - Groundwater Recharge Grants \$20 million (DWR)
 - Balance of funds for program delivery and bond issuance costs

Program Outline

- Must be consistent with an approved IRWM Plan
 - *DWR may waive approved plan until January 1, 2007*
- Eligible Projects meet one or more objectives
 - *Protect Communities from Drought*
 - *Protect and Improve Water Quality*
 - *Reduce Dependence on Imported Water*
- Contain at least one Project element from §79561
 - *Programs for water supply reliability, water conservation, and water use efficiency.*
 - *Storm water capture, storage, treatment, and management.*
 - *Removal of invasive non-native plants, the creation and enhancement of wetlands, and the acquisition, protection, and restoration of open space and watershed lands.*
 - *Non-point source pollution reduction, management, and monitoring.*
 - *Groundwater recharge and management projects.*
 - *Contaminant and salt removal through reclamation, desalting, and other treatment technologies.*
 - *Water banking, exchange, reclamation, and improvement of water quality.*
 - *Planning and implementation of multipurpose flood control programs that protect property; improve water quality, storm water capture and percolation; and protect or improve wildlife habitat.*
 - *Watershed management planning and implementation.*
 - *Demonstration projects to develop new drinking water treatment and distribution methods.*

Process issues defined in law

- DWR and SWRCB implement joint process
- DWR develops standards for IRWM Plans
- Public meeting(s) on scope, procedures, and content of guidelines
- Post solicitation and evaluation guidelines on Web
- DWR may waive matching fund requirement for disadvantaged communities
- Max award \$50 million
- 40%-40% North (50 Counties) and South (8 Counties)

Solicitation Process and Criteria Development Issues

- Number of funding cycles
- Eligible Applicants
- Public Input into Development of Criteria
- Project Preferences
- Cost Share/Matching Funds

Attachment 4 Proposed Integrated Regional Water Management Grant

